

HART SCHAFFNER & MARX
forty-ninth annual report
November 30, 1959



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BOARD OF DIRECTORS

EUGENE BASHORE
JOHN D. GRAY
WALTER M. HEYMANN
MEYER KESTNBAUM

JOSEPH HALLE SCHAFFNER
JOEL SPITZ
CLAY E. STEELE
HARRY L. WELLS

OFFICERS

MEYER KESTNBAUM
President
JOHN D. GRAY
Vice-President
BERNARD A. RITTERSPORN
Vice-President
MARIO CIUCCI
Vice-President

L. G. JOHNSON
2nd Vice-President
CLAY E. STEELE
Secretary and Treasurer
R. W. GARBE
Comptroller and Assistant Secretary
J. S. GORE
Assistant Treasurer

TRANSFER AGENTS

The First National Bank of Chicago
Chicago 90, Illinois
Bankers Trust Company
New York 15, N. Y.

REGISTRARS

Continental Illinois National Bank and Trust Company of Chicago
Chicago 90, Illinois
Chemical Bank New York Trust Company
New York 15, N. Y.

FINANCIAL HIGHLIGHTS

	Year Ended November 30		
	1959	1958	1957
Net sales & operating revenue.....	\$83,141,773	\$76,148,541	\$80,812,061
Income before income taxes.....	5,260,944	3,202,330	3,397,070
Percent of sales.....	6.3%	4.2%	4.2%
Net income.....	2,810,796	1,826,864	1,894,684
Percent of sales.....	3.4%	2.4%	2.3%
Disposition of net income:			
Common dividends paid.....	829,545	700,196	700,196
Earnings retained in company.....	1,981,251	1,126,668	1,194,488
Earnings per share.....	6.49	4.17	4.33
Dividends per share.....	1.90	1.60	1.60
Net working capital.....	29,779,788	28,138,802	24,825,760
Ratio of current assets to current liabilities.....	3.4	4.0	2.5
Expenditures for plant & equipment....	791,569	406,648	1,787,110
Depreciation & amortization.....	1,165,630	1,182,577	1,122,377
Long-term debt.....	6,869,498	7,252,679	6,260,088
Shareholders investment.....	33,923,568	32,267,399	31,140,731
Shares outstanding at the end of the year.....	433,128½	437,622½	437,622½
Book value per share.....	78.32	73.73	71.16
Number of employees.....	7500	6700	6900
Number of shareholders.....	1936	1962	1954

**PRESIDENT'S
LETTER**

To the Stockholders:

The accompanying report sets forth the operating results of your company for the fiscal year ended November 30. The results were highly gratifying. Consolidated sales reached \$83,141,773 which represents an increase of 9.2% over sales of \$76,148,541 in 1958. Both the manufacturing and retail divisions contributed to the increase to produce the largest volume of sales in the company's history. Consolidated net income after taxes amounted to \$2,810,796, representing an increase of 54% over 1958 earnings of \$1,826,864. Per share earnings amounted to \$6.49 as compared with \$4.17 per share for the previous fiscal year. This is the best profit showing that the company has had since 1948.

Improved earnings have made possible a modest increase in the dividend rate. Since last May dividends have been paid at the annual rate of \$2.00 per share as compared with the annual rate of \$1.60 previously in effect. At the forthcoming annual meeting stockholders will be asked to approve a two-for-one split of the stock of the company and your directors have indicated their intention to declare the initial quarterly dividend following the stock split at the rate of thirty cents per share on the new stock. This will be equivalent to an annual rate of \$2.40 on the present shares and will represent an increase of 50% in the dividend in a period of one year. On the basis of current earnings the dividend continues to be conservative.

The proposal to split the stock of the company requires an affirmative vote of two-thirds of the outstanding stock. In conjunction with the stock split it is proposed to increase the number of authorized shares from 750,000 to 2,000,000. Upon approval of this proposal there will remain after doubling the 468,750 shares presently issued, a total of 1,062,500 shares authorized but unissued. Except for such shares as are reserved for issuance under the 1960 stock option plan, there are at present no plans for the issuance of this stock but it is considered desirable to have additional shares available for any advantageous acquisitions that may present themselves and for other corporate purposes.

The increased volume achieved during the year has been financed in part through retained earnings and in part through increased use of bank credit. Indebtedness to the banks at the end of the year was \$2,500,000 as compared with \$1,500,000 at the end of the previous year. By the end of December bank indebtedness had been reduced to \$1,000,000. The increased financial requirements of a

**PRESIDENT'S
LETTER**

growing volume of business will probably require more extensive use of bank credit during the coming year.

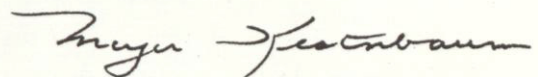
During the year two new stores located in important shopping centers were opened by retail affiliates and two new retail subsidiaries were acquired. These stores are producing a satisfactory volume of business. During the coming year additional stores will be opened in suburban shopping centers. Included are a new Wallach store in Menlo Park, New Jersey, and a new Silverwood store in the Del Amo Shopping Center in Los Angeles.

Over the years the company has spent substantial sums to keep its retail stores modern and attractive. Expenditures are also being made to make the most effective use of our manufacturing facilities. The acquisition of a new factory building in Rochester, Indiana represents the major expenditure in the manufacturing division. Total expenditures for fixed assets during the year, however, are less than the annual charges to depreciation.

The clothing industry is currently engaged in wage negotiations which will result in higher clothing prices for next Fall. Price changes have usually had the effect of testing the relative strength of various segments of our highly competitive industry. In the past there has been a tendency in some sections of the industry to offset price increases by lowering standards of quality. We see evidence of a more discriminating attitude toward merchandise on the part of both the retailer and the consumer which should be helpful to our company and to others who are seeking to maintain their standards of quality.

Your company has been steadily improving its relative position in the manufacturing field and it is also assuming a more important role in retail distribution. We believe that the results for the year and our prospects for the future testify to the value of the development program which has been in operation for a number of years.

Respectfully submitted,



MEYER KESTNBAUM

President

**HART SCHAFFNER & MARX
AND
SUBSIDIARY COMPANIES**

**CONSOLIDATED
BALANCE SHEET**

ASSETS	November 30 1959	November 30 1958
CURRENT ASSETS:		
Cash.....	\$ 3,154,298	\$ 3,368,346
Notes and accounts receivable:		
Trade, less allowance for doubtful balances and discounts.....	12,705,425	10,903,180
Other.....	426,626	331,655
Inventories:		
Factory inventories at cost or market, whichever is lower for current sea- son's goods and estimated realizable value for past seasons' goods; retail stores' inventories at cost or market whichever is lower.....	25,146,578	22,202,696
Prepaid rentals, insurance, supplies, etc....	562,800	618,668
Total current assets.....	<u>41,995,727</u>	<u>37,424,545</u>
CASH VALUE OF LIFE INSURANCE, AND OTHER INVESTMENTS.....	<u>372,517</u>	<u>350,908</u>
PROPERTIES, at cost:		
Building, shop equipment, furniture and fixtures.....	13,058,239	12,625,564
Less—Accumulated depreciation...	<u>7,870,183</u>	<u>7,350,172</u>
	5,188,056	5,275,392
Leasehold and leasehold improve- ments, less amortization.....	5,423,944	5,747,543
Land.....	<u>107,000</u>	<u>100,000</u>
	<u>10,719,000</u>	<u>11,122,935</u>
GOODWILL, TRADE NAMES AND TRADEMARKS	<u>1</u>	<u>1</u>
	<u>\$53,087,245</u>	<u>\$48,898,389</u>

LIABILITIES	November 30 1959	November 30 1958
CURRENT LIABILITIES:		
Notes payable.....	\$ 2,500,000	\$ 1,500,000
Current maturities of funded debt.....	511,332	500,000
Accounts payable:		
Trade.....	4,295,185	3,505,196
Other.....	1,615,927	1,268,899
Accrued salaries, wages and rents.....	1,146,226	1,007,426
Accrued taxes (other than taxes on income).....	577,302	501,943
Federal and state taxes on income.....	1,569,967	1,002,279
Total current liabilities.....	<u>12,215,939</u>	<u>9,285,743</u>
FUNDED DEBT:		
4½% note payable, due June 1, 1972.....	7,055,000	7,555,000
Advances and loans extending to 1977.....	325,830	197,679
	<u>7,380,830</u>	<u>7,752,679</u>
Less—Current maturities transferred to current liabilities.....	511,332	500,000
	<u>6,869,498</u>	<u>7,252,679</u>
MINORITY STOCKHOLDERS' INTEREST.....	<u>78,240</u>	<u>92,568</u>
STOCKHOLDERS' EQUITY:		
Common stock—par value \$10.00 per share:		
Authorized—750,000		
Issued—468,750.....	4,687,500	4,687,500
Capital surplus.....	3,753,730	3,651,499
Earnings retained for use in the business:		
Appropriated for contingencies.....	700,000	700,000
Unappropriated, per accompanying statement.....	25,686,260	23,705,009
	<u>34,827,490</u>	<u>32,744,008</u>
Deduct—Treasury stock—35,621½ and 31,127½ shares for the respective years	903,922	476,609
	<u>33,923,568</u>	<u>32,267,399</u>
	<u>\$53,087,245</u>	<u>\$48,898,389</u>

See notes to financial statements

**HART SCHAFFNER & MARX
AND
SUBSIDIARY COMPANIES**

**CONSOLIDATED
STATEMENT OF INCOME
AND UNAPPROPRIATED
RETAINED EARNINGS**

	For the Fiscal Years Ended November 30	
	1959	1958
Net sales and operating revenues.....	\$83,141,773	\$76,148,541
Dividends from sundry investments, interest and other income.....	305,988	322,267
Total.....	<u>83,447,761</u>	<u>76,470,808</u>
Less:		
Cost of goods sold and occupancy expense (exclusive of depreciation and amortization).....	57,477,379	53,708,843
Depreciation and amortization.....	1,165,630	1,182,577
Selling, general and administrative expenses.....	19,130,874	17,796,845
Interest paid.....	406,138	573,748
Minority interest in net profits of subsidiaries.....	6,796	6,465
	<u>78,186,817</u>	<u>73,268,478</u>
Income before deducting provision for taxes.	<u>5,260,944</u>	<u>3,202,330</u>
Provision for taxes on income:		
Federal income taxes.....	2,367,359	1,312,005
State income taxes.....	82,789	63,461
	<u>2,450,148</u>	<u>1,375,466</u>
Net income for the year.....	2,810,796	1,826,864
Earnings retained for use in the business at beginning of year.....	23,705,009	22,578,341
	<u>26,515,805</u>	<u>24,405,205</u>
Dividends paid in cash—\$1.90 per share in 1959 \$1.60 per share in 1958.....	829,545	700,196
Earnings retained for use in the business at the end of year.....	<u>\$25,686,260</u>	<u>\$23,705,009</u>

See notes to financial statements

**REPORT OF
ACCOUNTANTS**

To the Stockholders and Board of Directors of Hart Schaffner & Marx

In our opinion, the accompanying financial statements present fairly the consolidated position of Hart Schaffner & Marx and subsidiary companies at November 30, 1959, and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of the statements was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

PRICE WATERHOUSE & CO.

Chicago, Illinois
January 22, 1960

**NOTES TO
FINANCIAL STATEMENTS**

Under the terms of the agreement relating to the 4½% note payable, due June 1, 1972, \$21,741,753 of the total consolidated unappropriated retained earnings at November 30, 1959 is restricted as to the payment of cash dividends.

As at November 30, 1959 the company and its subsidiaries occupied properties under eighty-one lease agreements with terms expiring from one to thirty-eight years after that date, and requiring a minimum rental payment of approximately \$2,250,000 for 1960. Certain of the leases provide for payment of taxes by the lessees and additional rental based upon a percentage of sales in excess of stipulated minimums.

Under a restricted stock option plan approved by the board of directors, the stock held in the treasury is reserved for options granted or to be granted to officers and key employees. The changes in the outstanding options during the year were as follows:

Shares under option—November 30, 1958.....	22,025
Options granted during the year.....	8,100
	<u>30,125</u>
Less: Options exercised during the year	
(at \$26.60 per share).....	8,721
Options expired or canceled during the year	<u>550</u>
	9,271
Shares under option—November 30, 1959.....	<u>20,854</u>

Of the shares under option 13,054 were granted at an option price of \$26.60 per share and 7,800 were granted at an option price of \$36.375 per share. Options on 7,641 of the 20,854 shares were exercisable as of November 30, 1959.

Additional options on 10,150 shares were granted at \$52.50 per share subsequent to the end of the fiscal year.

The option prices were in no case less than the average of the highest and lowest selling price of the stock on the New York Stock Exchange on the date of the granting of the options.

**20 YEAR
FINANCIAL SUMMARY**

FINANCIAL POSITION

Year Ended Nov. 30	Net Working Capital	Properties At Cost Less De- preciation & Amortization	Long Term Debt	Minority Interest In Subsidiaries	Shareholders Investment	
					Total	Per Share
1959	\$29,779,788	\$10,719,000	\$6,869,498	\$ 78,240	\$33,923,568	\$78.32
1958	28,138,802	11,122,935	7,252,679	92,568	32,267,399	73.73
1957	24,825,760	11,931,645	6,260,088	86,103	31,140,731	71.16
1956	23,287,066	11,903,057	5,467,341	149,383	29,927,540	68.39
1955	22,981,411	11,232,581	6,223,994	130,822	28,129,689	64.28
1954	22,522,946	11,307,028	7,040,689	125,714	26,952,079	61.59
1953	20,005,502	11,336,157	5,207,121	132,684	26,280,108	60.05
1952	19,096,671	12,038,940	5,903,301	125,019	25,415,675	58.08
1951	18,479,774	11,902,302	6,139,240	128,570	24,387,368	55.73
1950	18,227,785	11,357,234	6,724,936	65,126	23,509,594	53.72
1949	18,933,654	10,032,562	7,115,000	103,042	22,620,580	51.69
1948	17,944,654	8,385,328	5,600,000	99,893	21,832,952	49.26
1947	13,031,597	5,547,903	—	91,981	19,756,218	44.57
1946	13,762,937	2,604,087	—	55,360	17,580,661	38.78
1945	12,591,380	1,292,600	—	32,451	14,528,053	33.02
1944	12,260,509	1,033,227	—	41,783	13,451,445	30.25
1943	11,184,408	1,063,422	—	33,046	12,385,788	27.88
1942	9,641,761	1,258,644	—	41,023	11,004,732	25.64
1941	8,135,324	1,276,510	—	106,740	9,453,076	21.33
1940	7,327,180	767,075	—	2,067	8,485,236	19.08

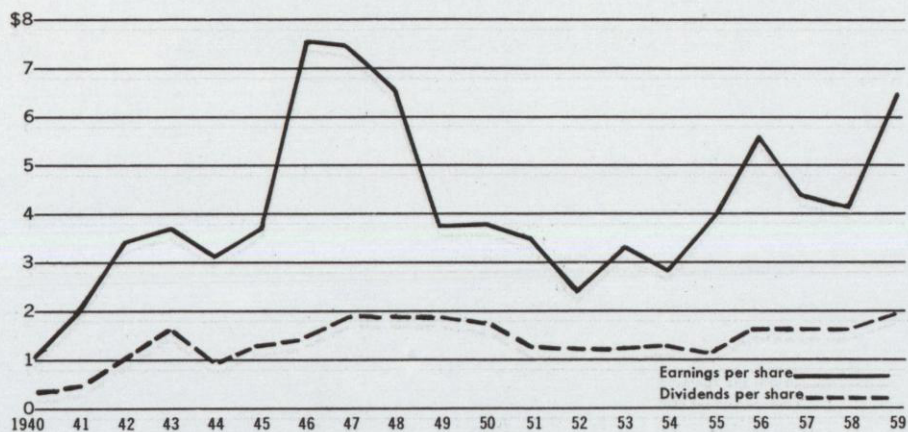
SALES EARNINGS DIVIDENDS

Year Ended Nov. 30	Net Sales and Operating Revenues	Income Before Federal and State Income Taxes	Net Income	Earnings Per Share	Cash Dividends Per Share
1959	\$83,141,773	\$5,260,944	\$2,810,796	\$6.49	\$1.90
1958	76,148,541	3,202,330	1,826,864	4.17	1.60
1957	80,812,061	3,397,070	1,894,684	4.33	1.60
1956	79,531,828	4,313,875	2,457,831	5.62	1.60
1955	74,771,105	3,796,889	1,736,352	3.97	1.28
1954	66,575,717	2,689,271	1,228,566	2.81	1.28
1953	68,866,677	3,041,676	1,425,196	3.26	1.28
1952	62,263,140	1,860,135	1,035,420	2.37	1.28
1951	61,672,439	3,265,657	1,518,752	3.47	1.28
1950	59,257,388	2,909,342	1,647,733	3.77	1.76
1949	57,773,088	2,592,401	1,638,746	3.74	1.92
1948	63,037,888	4,969,943	2,927,852	6.61	1.92
1947	56,527,917	5,595,999	3,284,384	7.41	1.92
1946	45,808,460	5,683,005	3,423,126	7.55	1.44
1945	33,805,246	3,932,462	1,645,860	3.70	1.28
1944	33,814,118	3,278,215	1,392,596	3.13	.96
1943	31,174,114	3,381,297	1,631,319	3.67	1.60
1942	26,390,109	2,615,003	1,437,529	3.35	.16
1941	22,004,580	1,239,102	895,173	2.02	.48
1940	16,794,264	565,291	468,751	1.05	.32

All per share figures are based on stock outstanding at end of each year adjusted to reflect a 2½ for 1 split on March 17, 1944 and a 25% stock dividend on April 3, 1956.

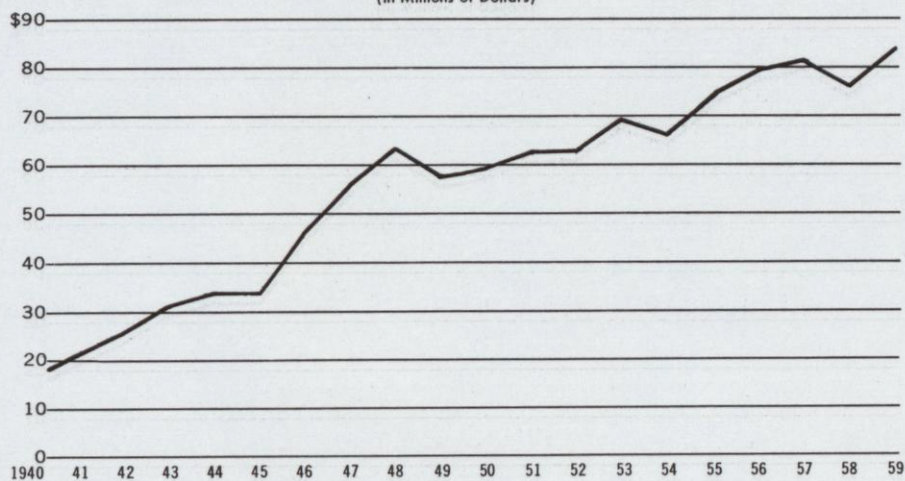
20 YEAR CHARTS

EARNINGS AND DIVIDENDS PER SHARE



NET SALES

(In Millions of Dollars)



SHAREHOLDERS INVESTMENT PER SHARE

